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March 23, 2005

VIA FAX-202-720-9776 and FIRST

CLASS MAIL

Hearing Clerk

U. S. Department of Agriculture

Room 1081-S

Washington, DC 20250-9200

Re: CFR Citation: 7 CFR 991

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Dear Hearing Clerk:

Thank you for the opportunity to comment on the two possible representative base periods for the proposed federal marketing order for hops. The Proponents' Committee has now had the chance to meet and discuss the subject periods, and accordingly presents the following analysis and recommendation.

Background

Over the course of gathering input on the original proposal, there were many discussions regarding establishing an initial representative base period which would provide fairness and equity to as many growers as possible. The consensus of the Proponents' Committee when the original proposal was submitted in October of 2001 was to allow growers to choose an initial base allotment year from any of the five most recent years. The logic behind this proposal was to afford growers the flexibility of choosing a year among a period during which the industry had attempted several voluntary programs to deal with the structural oversupply of alpha acid AND to avoid the inclusion of a "yet-to-be-produced" year which could potentially worsen the problem by enticing growers to produce hops only to enhance their initial base allotment position.

At the time the proposal was submitted, it was anticipated that the hearing process and a decision on a potential referendum on the proposal would occur prior to another crop being produced. For various reasons this process has been delayed beyond not one, but several crop years. In July of 2003, the 2002 crop year was added to the initial

representative base period. The Proponents' Committee supported this addition in the interest of fairness to all affected growers. Now, due to circumstances beyond our control, we find ourselves two more crop years beyond the scope of the original proposal.

There are several examples of testimony at the hearings held in October 2003 on the subject of the fairness and equity of establishing a representative base period that represents the most recent production years:

From page 488, lines 15-25 and page 489, lines 1-11 of hearing testimony:

Brendan Monahan (Attorney for Proponents): Do you recall being asked for suggestions on the Proposal, specifically including how the initial base allotment would be calculated?

Mike Gooding (Grower Witness for Opponents): At the second meeting, yes, I did—I do.

Monahan: Your testimony, sir, was that at least as you understand the Proposed Marketing Order, that the Administrative Committee would take an average of the years 1997 through 2001?

Gooding: That is my understanding.

Monahan: Okay. And you believe that would be inequitable?

Gooding: Yes, I do.

Monahan: Do you agree it would be the most, that the most equitable way of allocating initial base period, would be to pick the highest years, say between '97 and 2002? Would that be more equitable in your opinion, sir?

Gooding: Yes, that would be more equitable. For a producer that has those years to pick from, yes. I would point out in Southern Idaho, we have a grower that would only have 1 year, in that period from which to pick.

From page 1781, lines 9-14 of hearing testimony:

James Moody (Attorney for Opponents): Regarding the base period for handing out base, it's proposed to '97 to '02. Do you think it might be more fair to have the base period be '03 or perhaps averaging '01, '02, and '03?

Marty Ungewitter (Dealer Witness for Opponents): I certainly think that would be fairer than going all the way back to 1997.

From page 2317, lines 15-25 and page 2318, lines 1-4 of hearing testimony:

James Moody (Attorney for Opponents): And what would you -- what do you believe should be the period if the order were to go into effect for determining initial allotment bases?

Kevin Riel (Grower Witness for Opponents): Logically, to me, the more recent the year would seem to more accurately reflect current market situations, but I understand that a lot of farms, there was a lot of effort made in the '01 and the '02 years and by belief people were doing things for what they thought was the benefit of the industry, so I can understand the dispute. Logically, to me, it would seem the more recent years would be more appropriate and personally, if our ranch -- the '02 year, for instance, is -- was our second-best production year ever, so it would benefit us more to use more recent years, but I understand the argument.

Recommendation

Based on the foregoing, there appears to be a general consensus among those who initially opposed a marketing order that incorporating most recent years in the representative base period is more fair and equitable than the 1997 through 2002 period currently written in the proposal. While the Proponent's Committee can support either period, in the interest of promoting goodwill and harmony in the hop industry, and in the interest of proceeding to a referendum on the proposal at the earliest possible time.

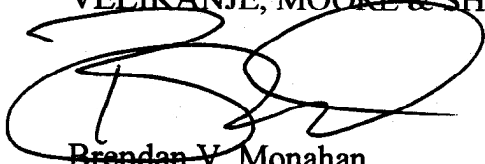
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Accordingly, the Proponents' Committee hereby endorses and recommends that "the six most recent crop years preceding implementation of the proposed marketing order" be adopted as the representative period for initial base allotment.

Please do not hesitate to call if I you would like any further information, or any clarification of the foregoing.

Best regards,

VELIKANJE, MOORE & SHORE, P.S.

A handwritten signature in black ink, appearing to be "Brendan V. Monahan", written over a horizontal line.

Brendan V. Monahan
Attorney for Proponents' Committee

BVM/lb